

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

00 — 01 00

2. STATE:

CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.250 through 447.272

7. FEDERAL BUDGET IMPACT:

a. FFY 2000 \$ 0 PJD  
b. FFY 2001 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, pages ~~15-21~~ 16-16.4  
PJD

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-D, pages ~~15 and 16~~  
PJD

10. SUBJECT OF AMENDMENT:

Long Term Care Supplemental Reimbursement

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

The Governor's Office does not wish to review State Plan Amendments

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Gail L. Margolis

14. TITLE:

Deputy Director, Medical Care Services

15. DATE SUBMITTED:

June 23, 2000

16. RETURN TO:

Department of Health Services  
Attn: State Plan Coordinator  
714 P Street, Room 1601  
Sacramento, CA 95814

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

June 23, 2000

18. DATE APPROVED:

7/17/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

*[Signature]*

21. TYPED NAME:

Linda Minamoto

22. TITLE:

Associate Regional Administrator  
Division of Medicaid

23. REMARKS:

## VI. DP/NF SERVICES SUPPLEMENTAL REIMBURSEMENT PROGRAM

This program provides supplemental reimbursement for a DP/NF of a general acute care hospital or an acute psychiatric care hospital, which meets specified requirements and provides a large proportion of nursing facility services to Medi-Cal beneficiaries.

Supplemental reimbursement is available for the costs associated with the construction, renovation, expansion, remodel, or replacement of an eligible facility, and would be in addition to the rate of payment the facility receives for nursing facility services under the current DP/NF reimbursement methodology.

### A. Definition of an Eligible Project

1. Projects eligible for supplemental reimbursement under this program will include any new capital projects for which final plans have been submitted to the appropriate review agency after January 1, 2000, and before July 1, 2001, or as permitted by subsequent legislation that changes the final plan submission date.
2. "Capital project" means the construction, expansion, replacement, remodel, or renovation of an eligible facility, including buildings and fixed equipment. A "capital project" does not include furnishings or items of equipment that are not fixed equipment.
3. Capital projects receiving funding under this program will include the upgrade or construction of buildings and equipment only to a level required by the most current accepted medical practice standards, including projects designed to correct Joint Commission on Accreditation of Hospitals and Health Systems, fire and life safety, seismic, or other federal and state related regulatory standards.

### B. Definition of an Eligible Facility

A facility is determined eligible only if the submitting entity had all of the following additional characteristics during the entire 1998 calendar year:

1. Provided services to Medi-Cal beneficiaries;
2. Was a DP/NF of an acute care hospital providing nursing facility care;

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Supersedes

TN ~~N/A~~ 00-018

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3. Had not less than 300 licensed nursing facility beds;
4. Had an average nursing facility Medi-Cal patient census of not less than 80 percent of the total nursing facility patient days; and
5. Was owned by a county, or city and county.

C. Supplemental Reimbursement Methodology

Supplemental reimbursement provided by this program will be distributed under a payment methodology based on nursing facility services provided to Medi-Cal patients at the eligible facility. An eligible facility's supplemental reimbursement for a capital project qualifying for this program will be calculated and paid as follows:

1. For any fiscal year the facility is eligible to receive supplemental reimbursement, the facility will report to the Department the amount of debt service on the revenue bonds or other financing instruments issued to finance the capital project. This amount represents the gross total amount to be considered for supplemental reimbursement. The gross total amount will be reduced by all other funds received by an eligible county or city and county for the purpose of construction/renovation of an eligible project.
2. Only those projects, or portions thereof, that are available and accessible to Medi-Cal beneficiaries will be considered for supplemental reimbursement, and such supplemental reimbursement will only be made for capital projects, or for that portion of capital projects, which provide nursing facility services and qualifies for reimbursement according to applicable Medicare reimbursement principles.

Capital project expenditures for an eligible facility are those expenditures which, under generally accepted accounting principles, are not properly chargeable as expenses of operation and maintenance and are related to the acquisition, construction, renovation, improvement, modernization, expansion, or replacement of a plant, buildings, and equipment with respect to which the expenditure is made, including, but not limited to the following, if included in revenue bond debt service: (1) studies, surveys, designs, plans, working drawings, and specifications bid preparation, inspection, and material testing; (2) site preparation, including demolishing or razing structures, hazardous waste removal, and grading and paving; and (3) permit and license fees.

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claimed expenditures for the capital project are eligible for federal financial participation.

3. In order to fully disclose reimbursement amounts to which the eligible facility may be entitled, the county, or city and county is required to keep, maintain, and have readily retrievable, records as specified by the Department. Such records include, but are not limited to, construction and debt service costs.
4. Prior to receiving supplemental reimbursement an eligible hospital must submit to the Department a copy of the certificate of occupancy for the capital project.
5. Prior to paying any supplemental reimbursement, the Department will require the county, or city and county, to disclose all public and private funds it receives for the purpose of financing the capital project.
6. Any and all funds expended pursuant to this program are subject to review by the Department. The Department will review, on a semiannual basis, the special account where all payments received by an eligible facility are placed and used exclusively for the debt service on an eligible project to verify that funds are used exclusively for the payment of appropriate expenses related to the eligible capital project.

E. Standards for Supplemental Reimbursement

1. The Department will require that any county, or city and county, receiving supplemental reimbursement under this program enter into a written interagency agreement with the Department for the purpose of implementing this program.
2. Supplemental reimbursement paid under this program must not duplicate any reimbursement received by an eligible facility for construction costs that would otherwise be eligible for reimbursement for nursing facility services under the DP/NF reimbursement methodology specified in this Attachment.
3. The total Medi-Cal reimbursement received by a facility eligible under this program will not result in a reduction of the rate of payment the facility

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receives for nursing facility services under the most current DP/NF reimbursement methodology.

4. The supplemental reimbursement provided by this program will not commence prior to the date the hospital submits to the Department a copy of the certificate of occupancy for the capital project.
5. All payments received by an eligible facility must be placed in a special account; the funds in the special account will be used exclusively for the payment of expenses related to the eligible capital project.
6. Supplemental reimbursement will be equal to the amount of federal financial participation received for the claims submitted by the Department for debt service expenditures allowable under federal law.
7. In no instance will the total amount of supplemental reimbursement received under this program combined with that received from all other sources dedicated exclusively to debt service, exceed 100 percent of the debt service for the capital project over the life of the loan, revenue bond, or other financing mechanism.
8. A facility qualifying for and receiving supplemental reimbursement pursuant to this program will continue to receive reimbursement: (i) until the qualifying loan, revenue bond, or other financing mechanism is paid off; and (ii) as long as the facility's eligible capital project continues to provide nursing facility services and is available and accessible to Medi-Cal patients.
9. The state share of the debt service amount submitted to the Federal Health Care Financing Administration for purposes of supplemental reimbursement will be: (i) paid with only county, or only city and county funds; and (ii) certified to the state as specified in paragraph D. 2. above.
10. Total Medicaid reimbursement provided to an eligible facility will not exceed applicable federal upper payment limits.

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